

**Audit Committee
Meeting Minutes
July 14, 2011**

The Bethany Beach Audit Committee held a meeting on Thursday, July 14, 2011 at 2:00 p.m. in the Town Meeting Room.

Members present: Don Doyle, Chairman, who presided; Monte Wisbrock, and Thomas Defibaugh.

Also present: Finance Director, Janet Connery; Internal Auditor, Philip Rossi; Council persons, Jerry Dorfman, Joseph Healy, and Margaret Young; Auditors from TMG Group LLC, Roy Geiser and Herb Geary; Patricia Titus of the Coastal Point; Administrative Secretary, Lindsey Good; and other interested members of the public.

Approval of Agenda

Mr. Wisbrock made a motion to approve the agenda. Seconded by Mr. Defibaugh, the motion was unanimously approved

Approval of Minutes from the May 12, 2011 Meeting

Mr. Doyle made a motion to approve the minutes dated May 12, 2011. Mr. Defibaugh seconded the motion and it was unanimously approved.

Report by Accounting Firm TGM Group, LLC on This Year's Audit and Financial Statements

Mr. Roy Geiser of TGM Group LLC gave the following report:

The entire audit went extremely well. The Management Discussion and Analysis (MD&A) section summarizes everything well. They found the Financial Statements free of any material error. They gave the Town's statements an unqualified opinion, which is the highest level of assurance. The net asset increased by \$1.2 million to a total of \$20 million. Most of this in the form of capital assets, but the unrestricted portion shown on Page 17 of the Financial Report is funds that can be utilized.

Mr. Geiser explained what has changed since FY 2010. The Recycling fund merged into the Sanitation fund.

Ms. Connery explained that the Recycling was treated as a separate fund last year because Delaware Solid Waste Authority (DSWA) was responsible for it until last June. The Sanitation fund and Recycling fund were combined because the State regulation prohibits the collection of a separate fee for recycling so the Town must charge a single fee to cover the expenses of trash, recycling and yard waste.

Mr. Geary commented that the Town has enough funds in its budget to cover expenses as well as Capital costs, since the enterprise funds, sanitation and water are producing money. He added that the Town is doing an efficient job budgeting its funds.

Mr. Neary questioned what the comparison of cost is of the Town being responsible for its residents recycling rather than the Delaware Solid Waste Authority (DSWA) being in charge of recycling.

Ms. Connery replied that the Delaware Solid Waste Authority (DSWA) was charging \$72 per year for their curbside pick-up program, but the Town negotiated a reduced rate of \$44. After the Town took over the service, the trash rate was increased from \$200 to \$250 in order to cover the additional requirements for yard waste and trash disposal. Ms. Connery emphasized that the Town is efficiently doing recycling, although there is not a clear comparison. State grant funds are beneficial to the Town, as they are being used for the purchase of carts and a new trash truck.

Mr. Dorfman commented that the Town taking over recycling was the right decision.

Mr. Geiser continued his report by acknowledging that the Town purchased a lot of capital assets without creating any new debt, which is unusual for small municipalities. Currently held debt is scheduled to be paid off in FY 2015.

Mr. Doyle noted that he found the Auditor Report to be very informative and he enjoyed reading it.

Mr. Geiser stated that the Town has \$1.2 million in cash and \$6.4 million in CDs, so there is plenty of liquidity. He added that Town of Bethany Beach is a very attractive Town.

Mr. Geiser pointed out that the recently added post-employment healthcare benefit is covered on Page 39 of the Financial Report. It was implemented two (2) years ago and another study will not need to be done until FY 2013.

The only new standard is GASB 54, which changes the terms related to fund balances. The new terms are defined on Page 32 of the Financial Report and the Restricted funds are explained on Page 19. The Town has Nonspendable funds in the form of prepayments, Restricted funds from grant agreements, and Committed funds from formal action taken by the Town Council. There is \$244,000 in Unassigned funds, which can be expended at will.

Mr. Geary mentioned that there will be no new accounting standards next year, and the Town's financial situation is in great shape.

Mr. Pat Neary, property owner of Bethany Beach, questioned Mr. Geary which source he obtains the number in the Financial Statements from.

Ms. Connery explained that most of the information is e-mailed between her and the auditors before the week of auditing in May. The document is based on the Town's underlying transactions.

Mr. Geary noted that they have uncovered fraud at other municipalities by noticing something suspicious in transaction statements. He expressed that the controls in the Town have been superb, adding that the Audit Committee, Internal Auditor, Finance Director, and Town Manager do high quality work.

Mr. Neary asked if the audit of the Town is completed in a reasonable time frame, noting that the Town of one of his other properties in Florida is completed in seven (7) months, which is a longer length of time.

Mr. Geary said that the audit was 99% complete by June 21st, since Ms. Connery is very organized and helpful. He noted that some audits are year-round because they don't have an option, but a time frame of four to five months to complete an audit is reasonable.

Ms. Connery explained that the Town's Charter or Code requires the audit to be completed within 120 days, which is the end of July.

Question/Comments by the Audit Committee

Mr. Healy made a recommendation to add a sentence to the MD&A, stating that the other post employment benefit of health care insurance is being repaid over ten (10) years rather than the maximum of thirty (30) years, and that the Treasurer controls those funds. He added that he wants to add it as a written statement to be assured that the funds are locked.

Mr. Geary replied that this is not something that is usually addressed in the MD&A, but it would not be an issue to add it.

The Committee members agreed that a sentence or two will be added on the subject. The auditors will incorporate the sentence into the document.

Mr. Doyle expressed that the Town is very well managed, and he acknowledged his appreciated to the auditors for all of their work. He added that he feels a good amount of funds are set aside for necessary needs in the future.

Mr. Doyle made a motion to accept the Financial Report including the sentence that is to be added. Mr. Defibaugh seconded the motion and it was unanimously approved.

Mr. Doyle questioned Mr. Geary about his auditing firm's work with other governments.

Mr. Geary responded that government work is very specific and many other auditing firms have been passing government work onto his firm. The TGM Group, LLC audits five (5) counties, six (6) school districts and at least twenty-five (25) other municipalities. He expressed again that the Town of Bethany Beach is doing a good job.

Mr. Geary mentioned that there is continuing education and training for all of the staff in their auditing firm. The auditors also sincerely enjoy the work that they do.

Adjourn

Mr. Defibaugh made a motion to adjourn the meeting at 2:47 p.m. Seconded by Mr. Wisbrock, the motion was unanimously approved.